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30 July 1956

MEMORANDUM FOR: Economic Defense Intelligence Committee

FROM : Executive Secretary, EDIC

SUBJECT : Soviet Gold Sales, 1955

REFERENCES : EDIC Case No. 11, 28 September 1955  
EDIC/ID-20, 8 February 1956


1. The attached paper is the second of a series of semi-annual reports on Soviet Bloc sales of gold prepared by CIA at the request of the Economic Defense Intelligence Committee.

2. This report consists of a compilation and evaluation of information on Soviet gold sales during the year 1955. It is circulated to EDIC members for review and comment.

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Executive Secretary

Attachment:  
Soviet Gold Sales - 1955

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Cat. B (1-12, 14, S/TF, M/TM)   
C (1-3)  
D (411)  
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Soviet Gold Sales

1955

Summary

Soviet gold sales in Free World markets during 1955 are estimated at \$70 million\* as compared with \$83 million in 1954 and \$150 million in 1953\*\*. This decline in Soviet gold sales to the West is apparently a reflection of the increasingly favorable Soviet trade position with the Free World.

Discussion

The bulk of USSR gold exports continues to be sold on the London gold market. Samuel Montagu and Company, Ltd., London, which claims to have handled over 90 per cent of all Soviet gold sales during the past two years, estimates that in 1955 the USSR sold two million ounces (\$70 million) to the West of which possibly 80 per cent was transacted in London.

\* This figure does not include a transfer of 11 tons of Soviet gold to Iran in June 1955 in settlement of World War II claims against the USSR and a Finnish drawing of \$2.5 million against a Soviet gold loan of \$10 million granted to Finland in January 1955.

\*\* Figures for 1954 and 1953 include European Satellites. No information on 1955 Satellite gold sales is available. Possible unrecorded sales through Near and Far Eastern markets have not been included.

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Exports of USSR Gold Bullion to the United Kingdom  
(In millions)

| <u>1955</u>    | <u>Troy ounces</u> | <u>U.S. dollars</u> |
|----------------|--------------------|---------------------|
| First quarter  | 0.16               | 5.6                 |
| Second quarter | 1.20               | 42.0                |
| Third quarter  | nil                | nil                 |
| Fourth quarter | <u>0.24</u>        | <u>8.4</u>          |
| TOTAL          | 1.60               | 56.0                |

In addition to the estimated \$56 million of gold bullion sold on the London market, it has been reliably reported that sales approximating \$10.5 million have been made in Switzerland and Paris in 1955.

There appears to have been no significant gold sales by Satellite nations during the period. Because few western banks are prepared to grant uncovered credit facilities to the National Banks of communist countries, Satellite gold reserves have been employed principally as security deposits for commercial credit.

It has been widely assumed that the need to sell gold has declined as Soviet exports to the United Kingdom have risen and as the Soviet trading position with the Free World has steadily improved. Despite the consistent trade surplus with the Sterling Area, however, Soviet sterling resources are not believed to be large and the demand for

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transferable sterling with which to settle the Soviet Union's net deficit with other non-dollar countries has not measurably diminished. Indeed, if the Soviet Union is serious in its offer to purchase \$2.8 billion worth of goods from the United Kingdom during the next five years, its hard currency reserves will undoubtedly be taxed. While it is possible that further quantities of grain and timber can be exported to the United Kingdom, any large-scale increase in Soviet buying might well lead to a further flow of Soviet gold to the London market.

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